



## Legislation Text

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**File #:** 19637, **Version:** 1

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### **Fiscal Note**

No significant net fiscal impact is anticipated. The Resolution will effectively allow Operation Fresh Start to defer repayment of loans and reprogram payments of up to \$125,000 in income derived from property sales with the commitment secured by other mortgages that have sufficient equity.

### **Title**

Amending Resolution 18935 which authorized Operation Fresh Start (OFS) to repay program income funds with assignments of mortgages on alternate properties. This resolution will correct an error in Resolution 18935 to allow OFS to retain cash from certain property closings and it will allow OFS to draw funds from their revolving loan fund for capital costs associated with certain closings that occurred earlier in 2010.

### **Body**

In 1990 the City established a dedicated revolving loan fund made up of repayments on previous CDBG loans. This fund is used by OFS in developing affordable housing through their youth training and employment program which provides educational and job training opportunities to at risk youth in Madison. The revolving loan funds are used for capital expenses during the acquisition and construction/rehab. portions of a project and are then repaid for use in the same type of activity on other properties. The funds are repaid from the proceeds of the sale of the property to a moderate income family.

In July 2010, the Common Council approved Resolution 18935 which authorized the City to accept assignments of liens on alternate properties as repayment of a limited amount of the funds drawn from the revolving loan fund. The intent of the original resolution was to allow OFS to keep cash from the closings on certain properties to help them bridge a temporary cash shortage. However, language in the resolution restricted the activity to only those situations where "the sale price of the property will not allow full repayment of the CDBG program income loan" and did not meet the intent of providing cash to OFS.

The current resolution will allow OFS to retain cash from certain closings and repay the revolving loan fund with assignments of third mortgages on certain alternate properties provided there is sufficient equity in those properties to cover the existing senior mortgages and the one being assigned.

In addition, this resolution will allow the City to reimburse OFS for revolving loan funds repaid earlier in 2010 in exchange for assignments of third mortgages on alternate properties. OFS repaid the revolving loan fund a total of \$101,067.14 in 2010 from the sale of four properties. Of these repayments, \$76,137.50 would have been eligible under the terms of Resolution 18935 for repayment in assignments instead of cash.

The total maximum value of third mortgages accepted by the City in lieu of cash (\$125,000) and the maximum amount of assigned value per property (\$25,000) remain unchanged from Resolution 18935. The list of the specific properties involved can be obtained from the CDBG Office.

WHEREAS, the intent of Resolution 18935 was to provide OFS with cash from certain closings and delay the date of actual repayment of certain loans from the revolving loan fund by accepting assignments of third mortgages on alternate properties;

NOW, THEREFORE BE IT RESOLVED that the Common Council authorize a modification of the OFS revolving loan fund contract to allow OFS to defer repayment to the City of Madison of up to \$125,000 of the loans drawn on its revolving loan fund, and to accept assignments of third mortgages on certain alternate properties provided there is sufficient equity in those alternate properties to cover any existing senior

mortgages and the one being assigned.

BE IT FUTHER RESOLVED that included in the \$125,000 of deferred repayments is \$76,137.50 that was repaid to its revolving loan fund earlier in 2010..

BE IT FUTHER RESOLVED that the Mayor and the Clerk are authorized to execute the required documents to implement these revisions to the purchase of services agreement for the program income revolving loan fund.